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GIFFEN'S CASE AGAINST BIMETALLISM.[1]

MR. GIFFEN, belated, still sits in the seat of the scornful. Bimetallism is to him "a mere delusion," and his language toward its advocates—M. de Laveleye in particular—is hardly parliamentary. He classes them with "the prophets who prophesy that the world is to be enriched by abundant money," and these, he says, "are the detestation of men of sense." Of the bimetallist theory, his judgment, summed up in the fewest words, is as follows:

> It was the unbroken experience of centuries when Locke took up the question, as it has been the experience ever since, that side by side with the legal ratio there is immediately a market ratio; and there is no discernible tendency for the former to govern the latter. The foundation of the bimetallic idea is thus rotten from the beginning, and there is no discoverer or great economist to set against the chain of authorities by whom the opposite system has been established.[2]

Such, in brief, is Mr. Giffen's spirit, and such, in brief, are his views. As to the former, little need be said. The spirit of scorn is so far from being the spirit of science, that it almost precludes the learning of anything new; and in a measure this accounts for Mr. Giffen's retention of ideas which were unanimously expressed by the International Monetary Conference at Paris in 1868, but which are no longer upheld by a majority

[1] The Case Against Bimetallism. By Robert Giffen. London and New York, George Bell and Sons, 1892. — 12mo, with index, 354 pp.

[2] Page 112.

even of the monometallic half of the Gold and Silver Commission of Great Britain. The scorn of the scorners has always been a favorite theme for the irony of history, and in Mr. Giffen's case time's revenge is being taken sooner than usual. Hardly had our author penned his abuse of the advocates of bimetallism, when M. de Laveleye, with no thought of replying to Mr. Giffen, whom he always treated with a courtesy the latter never returned, had the pleasure of quoting the following lines from Professor Foxwell, of Cambridge, descriptive of scientific opinion in England :

> Cambridge University: Professor Alfred Marshall, bimetallist; Professor Sidgwick, bimetallist. Edinburgh: Professor Nicholson, author of an excellent book on the subject, vice-president of the Bimetallic League. Oxford: Thorold Rogers admits the scarcity of gold, rejects bimetallism. University College of London: H. S. Foxwell, vice-president of the Bimetallic League. Nottingham : Professor J. E. Symes, bimetallist. Liverpool: Professor E. G. Gonner, vice-president of the Bimetallic League. Manchester: Professor J. E. Munro admits the bimetallic theory. London, King's College: Professor Edgeworth inclines toward bimetallism. . . . Whoever refuses to admit that a fixed ratio between gold and silver can be established and maintained by international treaty is no longer considered among us an economist.

This quotation from Professor Foxwell is merely an answer to the unscientific portion of Mr. Giffen's book — his expressions of scorn for his opponents, and his appeals to authority to settle the question at issue. Questions of scientific fact may be settled by such appeals; but the question at issue is primarily one of social justice, and on such questions the average citizen is as likely to be in the right as the most eminent scientist. Appeals to names are therefore as unscientific as appeals to numbers. Mr. Giffen himself cannot afford to have any other rule adopted than that his arguments be taken at their own weight, counting for none the more because of the dead authorities in their favor, nor being thrown out of the scales by the living authorities against them.

In spite of his belief that a fixed ratio between the two metals cannot be maintained, Mr. Giffen is an economist of the first rank, and in the volume before us he has done as much as any living writer to clarify the discussion of bimetallism. The events of the last twenty years, which have changed the opinions of most of his contemporaries, have not affected those of Mr. Giffen, but he has recorded these events with scientific impartiality. If he has learned nothing from them, he has at least forgotten nothing that was established before. It is an inestimable gain to have a statement of the facts in the case to which both parties must agree, and it is a further gain to have an argument from a monometallist who refuses to reverse his old creed wherever such reversal will support the clamor of creditors against the demands of debtors. The arguments he rejects and the arguments he advances are equally worthy of examining, for he always speaks as a scientist, not merely as an attorney.

The monometallist arguments that Mr. Giffen rejects are briefly as follows:

1. That there is gold enough for an international gold standard.

2. That debtors have not been seriously injured by the appreciation of gold during the last twenty years.

3. That this appreciation of gold has not been due to the successive demonetizations of silver and the consequent demand for gold outrunning production.

4. That the unit of value ought to increase in value.

It is a pity that it should be necessary to state that Mr. Giffen concedes the scarcity of gold; there is no fact so important as this scarcity, and none so completely ignored by American monometallists. At the Paris conference of 1868, when every one favored an international gold standard, there was some reason why every one should favor it. During the two decades preceding, the trouble with the currency had been rather that too much than that too little gold and silver had been mined, and there had been reason for the fear that the unit of value was falling in value. What the increase in

production had amounted to is shown by the following condensation of Soetbeer's tables :

	Annual production of gold.	Annual production of silver.
1831–1850 . . .	$26,000,000	$30,000,000
1851–1870 . . .	136,000,000	48,000,000

It appears thus that the yearly production of gold alone had become two and a half times as great as the production of both the precious metals had been during the earlier part of the century. Although this enormous influx of money was accompanied by an unprecedented increase in wealth and a still more unprecedented increase of wages, the creditor classes suffered some injury ; for the money in which they were being paid represented appreciably less property than the money they had loaned.[1] Under such circumstances the argument in favor of an international gold standard was a telling one. Since 1873, however, this argument has entirely disappeared. The world's commerce has gone on expanding, while the supply of gold available for currency, instead of expanding with it, has actually fallen off, and the non-monetary consumption of gold

[1] On this point Soetbeer's tables, while entirely accurate, are misleading. He takes as his standard of prices the average during the years 1847–50. These, however, were the years in which prices were most abnormally low as compared with the period preceding as well as the period following. The average prices during the decade between 1860 and 1870 were but six per cent higher than during the decade between 1840 and 1850, and the average for the twenty years following the Californian and Australian discoveries were actually lower than for the twenty years preceding. Soetbeer's tables are so frequently thought to indicate that the injury to debtors through the appreciation of gold during the last twenty years simply counterbalances the injury to creditors during the period preceding, that it is worth while to show by Jevons's tables how Soetbeer selected his standard of comparison.

	Jevons's index number.	Soetbeer's index number.
Average prices 1820	103	
" " 1830	81	
" " 1840	87	
" " 1847–50	69	100.
" " 1860	79	120.98
" " 1865	78	122.63

In other words, Soetbeer affixes the index number 100 to the very worst years in the long period of commercial depression which resulted from the diminished production of the money metals during the first half of the century.

has enormously increased. It may be permitted me to recall Soetbeer's figures upon this point. Between 1851 and 1870, says Soetbeer, the new supply of gold available for currency averaged $92,000,000 a year; between 1871 and 1881 it had fallen to $24,000,000.[1] Mr. Giffen (page 85) goes even beyond Soetbeer in his admissions upon this point. Here is what he says:

> About two-thirds of the gold annually produced is taken for the arts; and if the consumption of India is included, as being either for simple hoarding or for the arts and in no case for the purpose of circulating money, then *the demand for gold for non-monetary purposes appears almost equal to the entire annual production.*

The italics are mine, and the use of "small caps." would seem almost permissible when one finds in the most scholarly of the monometallist papers of New York City such a solution of the silver question as the following:

> The simple fact is that if we need more money, we can supply our deficiency with gold just as easily as with silver. Suppose that we take the present Sherman Law and substitute the word gold for silver wherever it occurs, making the proper change in the number of ounces purchased. . . . Such a law would give us everything in the way of additional currency that we get under the Sherman Law. There is nobody so dull that he can not see that.

There is something peculiarly delicious about this statement, but in its misconception of the facts at issue it differs in no way from the whole body of monometallist attacks upon the Bland Bill and the Sherman Act. The United States is using $50,000,000 of silver a year to supply its need of more currency.[2] The annual supply of gold available for money uses is estimated at $24,000,000 by Soetbeer and at next to

[1] Soetbeer's table condensed is as follows:

Period.	Production of gold.	Non-monetary consumption.	Used for money and reserves.
1851–70 . .	$136,000,000	$44,000,000	$92,000,000
1881–85 . .	104,000,000	80,000,000	24,000,000

[2] As prices have not risen, there is no evidence that this issue is excessive.

nothing by Giffen. Austria and Russia[1] have already joined Western Europe in the scramble for this $24,000,000 or less, and it is gravely proposed that the United States shall put in an additional demand for $50,000,000! Adam Smith once contemplated the possibility of gold becoming as valuable as diamonds. Apparently such a consummation would not seem a catastrophe to the reckless spokesmen of the creditor classes, who are demanding that the United States shall use gold where it is now using silver.

So much, then, for the utter insufficiency of the gold supply. Mr. Giffen's admissions on this point are all a bimetallist could desire. Next as to the effect of that insufficiency in raising the value of gold and increasing the burden of every debt measured in gold. Here again Mr. Giffen's statistics are substantially those which bimetallists are trying to get before the public. In the essay on "Some Bimetallist Fallacies," written in 1886, Mr. Giffen grants without discussion that the fall in general prices during the fifteen years preceding had been "about twenty per cent in gold" while "hardly appreciable in silver." The estimated fall of twenty per cent in gold prices during the fifteen years following 1870 does not differ greatly from the estimate made by Sauerbeck last autumn that the fall in prices has now reached over thirty per cent. Mr. Giffen, it will be seen, admits the contention of the silver men that an ounce of silver will to-day buy substantially as much as ever. The point Mr. Giffen urges here against bimetallism is that even if bimetallism had continued in operation, "prices would still have fallen ten per cent, as against the fall of twenty per cent that has undoubtedly occurred." This is a novel and pleasing point to have presented by a monometallist. It is much the same point as is made by Mr. Bland, when he urges that under free coinage a silver dollar would continue to buy as much as a gold dollar, since gold would simply lose the artificial value given it by the demonetization of silver, and silver

[1] In the London *Economist* of November 19, 1892, will be found the estimate that the gold reserve in the Imperial Bank of Russia had been increased in two years $120,000,000. The Sherman Act increased our silver purchases but $20,000,000 a year.

would gain the value of which governmental discrimination has deprived it. Mr. Giffen's contention that even a double standard dollar would buy more than formerly is the best evidence of the moderation of the bimetallists' demand.

As to the cause of the increased value of the unit of value, Mr. Giffen is equally satisfactory. He says, for example, on page 74:

> A fall of prices from period to period is substantially due, as I have more than once pointed out in former years, to the necessary difficulty of increasing the stock of precious metals [note the plural] so as to keep pace with the multiplication of commodities and the multiplication of the number of the people.

And again, on one of his concluding pages, he sums up in this way:

> There is always and necessarily a direct relation between the quantity of money, that is, the quantity of the standard monetary substance in the market or that can be brought into the market, and prices . . . We see then how widely mistaken those monometallists have been who, in their dislike of bimetallism, have denied that the recent great demands for gold in proportion to its supply were likely to have caused a rise in its exchange value for other things. [Page 219.]

There seems hardly need of argument in support of Mr. Giffen's position on this point. Those who contend that the rise in the value of gold during the last twenty years has not been due to the recent great demands upon it in proportion to its supply, but to improved methods of production, forget that during the preceding twenty years the same improvements in production were going on, yet money values did not fall. During the last forty years the production of wealth has gone on increasing at a uniform rate; during the first twenty of these years the production of gold and silver increased proportionately; during the last twenty silver has been demonetized and the production of gold has fallen off. The change that has taken place can be traced not to the factor that has remained constant — the production of wealth, but to the factor that has changed — the production of money.

Mr. Giffen does not belong to that school of monometallists — in this country frequently protectionists — who urge that each nation must have the same standard as its neighbors, because of the commercial relations between them. He takes it for granted that the foreign commerce of a country is no more affected by the standard it employs than by the number of grains of metal in its unit. In any event the rate of exchange must be determined, and it was as easy, for example, to determine the exchange value of Austria's old silver florin as it is to determine that of her new gold crown. The argument in favor of gold based on its alleged advantages for foreign commerce is worth no more than the argument in favor of silver based on its alleged advantages for foreign commerce. Each argument ignores the fact that no change in measuring-rods can give the merchants of one country an advantage over the merchants of another.

But not only does Mr. Giffen recognize the truth of this elementary proposition; he also recognizes the fact that the adoption of gold by so many nations was a distinct reason why other nations should not adopt it.

> Much of the great currency mischief for many years past has arisen from the fact that governments have not left the thing alone. The primary offender in this matter perhaps was Germany, which made a mistake, as I believe, in substituting gold for silver as the standard money of the country. . . . To some extent Italy also has been an offender in this matter, the resumption of specie payments in that country on a gold basis being entirely a work of superfluity; the resumption on a silver basis would have been preferable. [Page 78.]

Elsewhere (page 116) he expresses the belief that the mistake made by these nations is one "which the nations of the world are not now likely to be guilty of." Inasmuch as Austria has just been guilty of it, Mr. Giffen's optimism in this matter reminds us of that of Jevons when he wrote many years ago:

> I am far from denying that if the Italian government decide to carry into effect M. Luzzatti's threat of buying gold at all hazards, and

if the like course be taken by the United States and France, not to speak of Germany, there might be considerable disturbance of values for a time. But is it likely that such proceedings will be taken by rational statesmen and rational parliaments? It is really too absurd to suppose that any country will insist upon having a gold currency at any cost.

Both of these scientists forgot that the currency problem represents, not a conflict of opinions, but a conflict of interests. The policy that is an absurdity for the nation embodies the most obvious self-interest of the creditor classes; and these classes despotically rule the governments everywhere except in the United States and Great Britain.[1] These classes, which a generation ago, when silver became the scarcer metal, demanded an exclusive silver standard, and actually secured it in Holland and Belgium, have been demanding an exclusive gold standard ever since gold became the scarcer metal. Here is the record of their success:

1872. Norway, Sweden and Denmark substitute the gold standard for the silver standard.

1873. The United States unconsciously[2] demonetizes silver. Germany substitutes the gold standard for the silver standard and begins to sell silver. The Belgian parliament authorizes the government to suspend the coinage of silver.

1874. France and the entire Latin Union suspend the free coinage of silver, France substituting the gold standard for a double standard.

1875. Holland, having suspended the coinage of silver in 1873, now formally demonetizes it, and substitutes the gold standard both for herself and her East Indian colonies.

[1] Though England is by all odds the greatest creditor nation in the world, and her citizens pay the income tax on $5,000,000,000 of foreign investments, yet justice to debtors is far more regarded by her parliament than by any parliament on the continent.

[2] An examination of the debate shows that some Congressmen knew that silver was demonetized in the act of April 12, whose avowed purpose was to codify the mint regulations. Even these Congressmen, however, attributed no practical importance to the fact, and did not dream that they were altering existing contracts by denying debtors the right to pay in the cheaper metal.

1873-75. The Bank of France retires $350,000,000 of paper money, and greatly increases its gold reserve.

1879. The United States resumes specie payments in gold.

1883. Italy purchases gold to resume specie payments.

1891. Austria, which for several years has had a paper currency payable in silver, but above par in silver bullion, openly abandons the silver standard and substitutes gold.

Not only, then, has the production of gold fallen off since 1870, and its non-monetary consumption enormously increased, but all these nations have added to the governmental demand for it. No wonder, therefore, that Mr. Giffen is unwilling to join himself with those who deny that the unit of value has risen in value because of failing supply and enormously increased demand.

This brings us to the last of Mr. Giffen's concessions. He recognizes that the unit of value ought not to increase in value. Here of course he has all the classic economists on his side, Hume having even urged that the unit of value ought gradually to decrease in value. Mr. Giffen is not a socialist, and he has too much intellectual honesty to contend that between debtor and creditor, any more than between employer and workman, equal amounts of labor instead of equal values ought to be exchanged. Between nations and between individuals the labor unit is entirely discredited. When we buy goods of India, we do not pay the same amount of labor we receive, but the same value of labor. When a political economist employs a cook, he does not pay her the same amount of labor he receives, but (presumably) the same value of labor. In the same way, where the debtor is a laborer, it is his duty to pay back, not the same amount of labor he borrows, but the same value of labor. If the efficiency of his labor increases, that increase belongs to him and does not increase his obligation to his creditor or the obligations of other debtors to their creditors. Only in so far as the creditors take part in labor are they entitled to benefit by its increasing efficiency. In so far as they are creditors, *i. e.*, holders of property produced by past labor, they are only entitled to the property

which that labor produced; the property produced by present and future labor belongs to those participating in its production.[1] This brings us back to the real point to be considered. It is not labor that is borrowed and loaned, but property — the products of labor. Nothing is clearer, therefore, than that the unit in which debts are measured ought constantly to represent the same amount of property or products of labor. This is precisely what it has failed to do since the demonetization of silver, and Mr. Giffen fully recognizes it. In another essay, "The Growth of Capital" (not included in the present volume), Mr. Giffen found that while the money value of the capital of the United Kingdom had increased 44 per cent during the decade 1865–75, it increased but 17½ per cent in the decade 1875–85. "Something," he says, "must have happened to diminish the rate of the accumulation of capital as expressed in money."[2] This something he found to be the appreciation of gold. In 1885 he estimated that the same amount of gold represented fifteen per cent more property than in 1875. This change of fifteen per cent during the decade[3] corresponds to a change of nearly thirty per cent during the two decades since the demonetization of silver. In other words, the appreciation of gold has added nearly thirty per cent to the amount of property which creditors may require of debtors in discharge of obligations.

This completes the list of Mr. Giffen's concessions — a list much more important than that of his contentions, since around it the whole controversy in America has been waged. The American monometallists have shown themselves much better politicians than Mr. Giffen, though much worse scientists. In refusing to admit that the inadequacy of the supply of gold to

[1] This proposition has on its side not only the instincts of all plain people, but also the authority of the classic economists. It is not worth while, therefore, to examine the statistical exaggerations of the advocates of an anti-socialistic labor unit.

[2] The Growth of Capital, p. 46.

[3] "It is most important, in fact, to keep in mind that we are not dealing here with the whole fall of prices which has occurred since what is called the appreciation of gold began, but only with what has occurred in a particular period of ten years." *Ibid.*, p. 53.

the increasing needs of commerce has brought about an appreciation in its value which has forced and is forcing debtors to pay creditors more property than they borrowed, American monometallists have shown a shrewd sense of the really important considerations. As politicians they deny the wrong in order to deny the remedy; Mr. Giffen, as a scientist, admits the wrong, but feels no obligation to supply a remedy.[1] The whole burden of his argument is that bimetallism does not furnish a scientific remedy. This he maintains with passionate vehemence. His main theses are as follows:

1. That it is not the function of government to manage the currency.

2. That "whatever governments may say, it does not follow that great commercial communities will be obedient."

3. That governments could not agree upon a bimetallic plan.

4. That governments never did keep the two metals at a fixed ratio.

5. That governments never could keep the two metals at a fixed ratio.

The first of these contentions requires but a word. Mr. Giffen's clients, the creditors, would be the last persons in the world to deny that it is one of the prime duties of government to protect creditors from the evils of inflation through unregulated bank issues. Without controversy it is equally the duty of the government to protect debtors against the evils of contraction. What Mr. Giffen says about the incompetence of a government, "especially a democratic government," to deal with this question, is the veriest Herbert Spencerism. The enforcement of justice between debtor and creditor is as important as the enforcement of justice between any plaintiff and any defendant. The power can be safely lodged nowhere except with the government, and it can be impartially adminis-

[1] There is a suggestion of a paper-money remedy in certain isolated sentences like the following: "A country rising in the economic rank advances from the use of copper and nickel mainly to a larger use of silver; from silver in the same way to gold; and from both silver and gold to paper and other substitutes for metallic money" (page 96).

tered only by a government which is as much concerned for the interests of debtors as for the interests of creditors.

Mr. Giffen's second contention — that governments would be powerless to secure the acceptance of bimetallism by the mercantile communities under them — is also unsustained by his clients. With a true instinct as to their strongest plea, they assert that according to Gresham's law the dearest metal would at once disappear from circulation, and only the cheaper one remain. As Mr. Giffen himself accepts this law, it is difficult to understand how he can doubt the power of the government to force upon the public the money which he maintains would be the cheaper. According to Gresham's law the people would soon use nothing but the cheaper.[1] Mercantile communities are to-day using exclusively gold, because government interference prevented the natural operation of Gresham's law.

Mr. Giffen's third contention, that it is impossible to secure international agreement upon a bimetallic plan, is much more forcible. It is true that if monometallism loses as rapidly during the next twenty years as it has lost during the last twenty, there will be none left to defend it. Yet even when monometallism shall have been abandoned, the creditor classes

[1] Mr. Giffen's history at this point has some resemblance to his logic. The two examples he gives of the power of mercantile communities to resist a change in the standard are both American. One is the decision of the New York banks "not to accept any of the [Bland-Allison] silver coins which the government had just issued as full legal tender"; and the other is the rejection of greenbacks by Californians during the Civil War. As a matter of fact the New York banks only attempted to prohibit the payment in silver of their clearing-house balances. They not only accepted silver as full legal tender for debts, but received it on deposit (see Taussig Silver Situation in the U. S., page 17). Likewise in California the mercantile community was able to resist the operation of Gresham's law only by the help of the provision in the state constitution against the use of paper money, followed by Justice Field's peculiar decision that taxes owed the state government were not debts in such a sense as to be payable in legal tender notes, and the act of the California legislature providing for the enforcement of specific contracts in gold and silver. It may be added that specific contracts of this sort were forbidden by the French government in behalf of the notes of the Bank of France during the Prussian war. Had Congress protected its own notes in the same way, the legislature of California would have been as powerless to prevent the use of greenbacks as her mercantile community found itself without legislative assistance.

can still for an indefinite period control certain nations in resisting the establishment of the old ratio. It is not likely that any great nation whose government is heartily opposed to the wrongs monometallism inflicts upon the debtor class will await international agreement before taking action. A nation heartily opposed to the taxing of the poor would as soon think of awaiting international agreement before adopting free trade.

It is, however, Mr. Giffen's fourth contention upon which he lays the stress of his argument. He devotes an entire chapter to "The Alleged Bimetallism of France, 1803–1873," and elsewhere urges that the belief that governmental action has kept the two metals together is a central fallacy of bimetallists. It is a grief to him that on this point the monometallists on the English Gold and Silver Commission united with the bimetallists in affirming that the French legal ratio did tend to keep the market ratio the same. He refuses to those royal commissioners the name monometallists, and terms them "non-bimetallists." The facts, he says, have been "steadily misrepresented for years," and he sets to work vigorously to correct the erroneous impression the world has had upon this point. Here is his argument:

> In 1886, in a paper read at the Bankers' Institute, I published the figures of the actual premium on gold in Paris on the first of each month for the years 1820–1847 — the greater portion of the period — which placed the fact beyond doubt that gold and silver did not pass in all that time at the legal ratio, but that gold varied in price usually between one-half per cent and two per cent premium, with not very frequent and not very lengthened lapses below one-half per cent and not one date being mentioned on which there was not a premium of some sort. These premiums were quite sufficient to make the practice different from the law. At anything over even one-quarter per cent premium for gold,[1] no man alive would pay a debt in gold that he could pay in silver without a premium, and consequently the demand for gold for standard and for unlimited legal tender in France was all this time in suspense. . . . When I wrote the paper for the Bankers' Institute, I had

[1] Or even one-hundredth of one per cent.

no figures for the period from 1803 to 1820 before me; but I may now refer to the ratios of Soetbeer.

Here follow portions of Soetbeer's tables giving the ratio between the average prices of gold and silver bullion in the London market between 1803 and 1873. The French ratio is 1 to 15½ and the extreme variations during each decade are as follows :

1803	1 : 15.41	1849	1 : 15.78
1808	1 : 16.08	1850	1 : 15.78
1813	1 : 16.25	1859	1 : 15.70
1814	1 : 15.04	1861	1 : 15.19
1820	1 : 15.62	1862	1 : 15.35
1821	1 : 15.95	1869	1 : 15.60
1832	1 : 15.72	1871	1 : 15.57
1833	1 : 15.93	1873	1 : 15.92
1843	1 : 15.93		

These tables are likewise published by bimetallists to prove that the free coinage of both gold and silver in France did keep the coins of the two metals at par with each other, and thus established a bimetallic standard. The facts, then, are agreed upon. What about the conclusions?

A moment's consideration will show how far afield Mr. Giffen has gone in maintaining that France was mistaken in believing that she had had the concurrent circulation of the two metals under her bimetallic law. The points he fails to consider are these : (1) Soetbeer's prices are London prices; (2) both Soetbeer's prices and his own are the prices of silver bullion and not of coined silver, and coinage in France, though free, was not gratuitous.

The extreme ratio in the price of silver bullion in London, it will be noticed, was reached during the Napoleonic wars, when trade between England and France was practically suspended. In 1833, when the next lowest ratio was reached, the lowest price of silver in London was 58¾ pence an ounce, while the French mint price was 60⅞. We do not know what was the cost of carrying silver in wagons and ships from London to Paris, but we know that to-day the cost of shipping gold is

three-eighths of one per cent[1] and the cost of shipping silver half a century ago was probably four times as much. To say that silver coin was not at par with gold in France because silver bullion was 3⅓ per cent cheaper than gold in London, is as bad reasoning as if one should say that gold coin in Australia was not at par with itself in 1852 because the price of gold bullion in Australia fell to 60 shillings an ounce, while the mint price in London was 77 shillings 10½ pence. If the cost of transporting gold bullion from Australia to London accounts for its discount of 20 per cent in Australia, surely the cost of transporting silver bullion from London to Paris more than half accounts for the discount of 3⅓ per cent in London.[2]

The other half of the discount is accounted for by the charge for mintage in France. Up to 1835 this was 1½ per cent for silver and three-tenths per cent for gold. Unless silver coin had been worth 1½ per cent more than silver bullion in Paris, the bullion would not have been brought to the mint; and yet there is but a single year during the bimetallic period when even Mr. Giffen's tables show that gold bullion averaged 1½ per cent dearer than silver bullion. But this is not all. The mint charge is only a part of the cost of mintage. "The proceedings of a government office," as Thorold Rogers says, "are measured, not to say slow," and during the period of delay the

[1] Norman, Metal Monetary Systems, page 289.

[2] Cairnes, Essays in Political Economy, page 25. Mr. Giffen has so much to say about the bimetallist fallacy of a "mint price" that it is worth while to quote a few of Cairnes's sentences: "There was at this time no mint in Australia; the increasing requirements for coin could only be met by the transmission of bullion to London, there to be coined and afterwards reimported, and this process required six or eight months at least for its accomplishment. Pending the arrival of the new coins, prices were not, indeed, prevented absolutely from rising; for numerous expedients were in their absence freely resorted to for supplying the place of the ordinary currency; but, nevertheless, prices were by the straitness of the circulation kept very considerably under their natural level, as determined by the cost of gold — a fact which was sufficiently proved by the remarkable fall in the price of gold throughout the whole of this period." The fall referred to was from £3 17*s.* 10½*d.* per ounce, the London mint price, to 60*s.*, 50*s.* and, it is stated, in some instances 40*s.* per ounce. Uncoined silver bullion has never fallen so low in the United States.

applicants' bullion is "dead capital yielding no profit, and not even any interest." The real cost of coinage in France, therefore, was much greater than the charge for mintage, and Mr. Giffen's tables, instead of showing that the two coins could not have circulated together, prove that they must have circulated together, since the bullion of one was never as valuable as the coin of the other.

Even this, however, is not the most decisive point. Throughout this entire period both gold and silver were brought to the French mint and coined. Even in the year 1833, when Mr. Giffen says that gold in Paris was at a premium, averaging nearly 1.6 per cent above silver, $1,500,000 in gold twenty-franc pieces were issued.[1] Mr. Giffen says with truth that "at anything more than one-quarter per cent premium for gold [or even one-hundredth per cent], no man alive would pay a debt in gold which he could pay in silver without a premium": and it is equally true that if gold were at any premium whatever, no man alive would pay over one-quarter per cent to get it coined; for the coin would have simply its bullion value. During the period from 1820 to 1847 $60,000,000 in gold were issued from the French mint, and in the decade following 1847 $127,000,000 in silver were issued, showing not only that neither metal reached such a premium that its old coins were converted into bullion, but also that neither metal reached such a premium as to prevent its owners from paying for the privilege of adding it to the coinage.

Mr. Giffen's ancient history of coinage is as defective as his modern history. Apparently conscious that the marvellous uniformity in the ratio of gold and silver bullion in London between 1803 and 1873 would continue to be traced to the bimetallic law in France, he has recourse to the following argument:

> There is one remarkable experience of bimetallism, in which unquestionably there were variations in the ratio of gold and silver, in a period about the same as 1803–73, amounting to more than 25 per cent. Dr. Soetbeer gives the following ratios of gold and silver:

[1] See Laveleye, La Monnaie et le Bimétallisme International, p. 175.

Year.	Ratio.
1581–1600	11.80 to 1.
1600–1620	12.25 to 1.
1621–1640	14.00 to 1.
1641–1660	14.50 to 1.
1661–1680	15.00 to 1.

. . . The experience of 1803–73 is more than set off by the experience of the first half of the seventeenth century.

Mr. Giffen could not have picked out a happier illustration for his opponents. In the first place, during the earlier part of the period covered the currency was not bimetallic. As Thorold Rogers says:

Up to comparatively recent times the currency of Europe was silver. It was so during the middle ages; it was so long after the discovery of the great American mines at the conclusion of the sixteenth century. For all practical purposes gold was not a currency in England till the seventeenth century.[1]

The extraordinary rise in the value of gold in the sixteenth century was due to the change from silver monometallism to incomplete bimetallism, thus creating an enormous demand for gold as currency. Soetbeer's tables show that the production of gold increased one-fourth during this period, while the production of silver fell off one-third. If production governed the prices of the precious metals, gold would have fallen and silver risen. The fact that gold rose twenty-seven per cent by reason of the currency demands, gives an illustration of the power of governments to regulate the price of the precious metals that is second only to the illustration afforded by the success of national bimetallism in France. The natural comment of Thorold Rogers upon the history of this very period is as follows :

The principal and important inference that one can draw, and with absolute confidence, as to these early prices of gold, is that the fundamental cause of value in the precious metals is their use as currency.

[1] Industrial and Commercial History of England, pages 320–327.

Mr. Giffen's last contention — that governments can not keep the two metals at an agreed ratio — is part and parcel of his contention that they never yet have done so. Indeed, he would not have urged that France did not have bimetallism, had he not believed *a priori* that she could not have had it. He maintains that the industrial value of gold fixes its currency value. This is so far from being true that its exact opposite might be maintained with greater force.[1] Neither proposition, however, is entirely true. The demand for gold for industrial purposes is not entirely dependent upon its currency value, and the demand for it as currency is not at all dependent upon its industrial value. The currency demand is simply the more important of the two. Most men care for gold entirely because of its currency value. Demonetize it, and the greater and less resistible part of the demand is gone. The past accumulations of gold currency become bullion, pressing upon the bullion market and yielding no interest to their possessors until sold. It would take twenty-five years for the present industrial demand for gold ($100,000,000 a year) to absorb the existing coin supply, even if the gold-mining industry were abandoned. By the time one-third of the gold coin had been thrown upon the bullion market, its value would probably be as low as the present value of silver bullion, to say nothing of the value that silver bullion would have when every dollar of this gold that has been taken from circulation has created an irresistible demand for the same amount of silver. The bimetallic law, which demonetizes one metal the moment it is held above the legal ratio, and makes currency exclusively of the other metal, does not need to be universal in order to

[1] The British Gold and Silver Commission unanimously speak as follows of the effect of the bimetallism of the Latin Union upon the price of silver used for non-monetary purposes: "The fact that the owner of silver could in the last resort take it to those mints (the mints of the Latin Union) and have it converted into coin which would purchase commodities at the ratio of 15½ of silver to 1 of gold, would in our opinion be likely to affect the price of silver in the market generally, whoever the purchaser and for whatever country it was destined. It would enable the seller to stand out for a price approximating to the legal ratio and would tend to keep the market steady at about that point." I confess my indebtedness to Mr. Giffen for the citation.

hold the two metals together for a long series of years.[1] By means of it, France was able to hold its gold and silver coin at par during years when the production of silver was three times as great as the production of gold, and also during years when the production of gold had suddenly become three times as great as the production of silver. It is not only the logic of history but the logic of supply and demand, that a nation as great as France could to-day hold together the two coins, when the ratio of their production is far away from either of the old extremes.[2]

[1] This argument, it will be noticed, is in no way based upon the power of governments to keep even costless government notes and bank notes at par with gold, so long as these notes are not issued in such volume as to drive all gold out of circulation. Yet governments do possess this power, as Mr. Giffen would not deny.

[2] The present ratio in the production of the two metals is about 3 to 2 ($180,000,000 of silver to $120,000,000 of gold). The non-monetary consumption of silver (including India's consumption) is estimated by Mr. Giffen at "about one-half of the annual production," leaving less than $100,000,000 to be used as money. For some years after 1855 the coinage of France alone exceeded this amount (Laveleye, La Monnaie et le Bimétallisme International, p. 103), without any perceptible inflation of prices. When we take into account, therefore, the normal demand for subsidiary silver in Europe, and for standard silver in South America, it is doubtful if the available silver supply exceeds the normal monetary demands of the United States. The secretary of the treasury estimates that for the past decade we have added $60,000,000 a year to our currency, and while Mr. Taussig is probably right in urging that the Treasury over-estimates the additions to our gold supply, yet as these have been years of falling prices, the supply has not been normal. It will not do, indeed, to affirm that the United States is a more powerful factor in the monetary situation than France because its population so greatly exceeds that of France. The French people use more money than the American people to transact the same amount of business, and their supply of money is to-day about the same as ours. Yet the fact that our population is increasing more than one million a year, while hers is stationary, enables America to absorb new currency without inflation to an extent that France could not. Whether or not, however, the United States can perpetually keep silver at a par with gold, is not the question. It is the duty of each generation so to regulate the currency supply that the same amount of money shall represent the same amount of property, securing substantial justice between debtor and creditor and preventing the injurious uncertainties in business enterprises attending hap-hazard contraction and inflation. There is little more *a priori* reason that bimetallism should prove a permanent solution of the currency problem than that gold monometallism should have proved such a solution. Had the production of gold continued to expand in proportion to the demand for it, there would to-day be no popular demand for bimetallism. A few years hence bimetallism may prove equally unsatisfactory. It is not within the power of any generation to solve the problems

Either in what he concedes or in what he contends, Mr. Giffen's discussion covers substantially the whole field of the controversy in America. The two most important points not mentioned in the volume before us are the monometallist contentions (1) that the expansion of credit currency has made up for the failure of the gold supply, and (2) that whatever the injury to debtors since the appreciation of gold began, most existing debts have been made during the last few years and should be paid in the same appreciated standard in which they were made. This last point is by all odds the most important, and contains a large element of truth and justice. It is not the duty of the government to attempt to right the wrongs of ancient history, but to render substantial justice among living men. Twenty years ago, when the question was before the public whether the greenback should be restored to par and all existing debts increased twenty per cent, the same plea was made in behalf of the debtors that is now made in behalf of the creditors. So far as social justice is concerned, the plea then was stronger than the plea now, inasmuch as the change proposed in favor of creditors was greater than the change now proposed in favor of debtors, and inasmuch as a larger part of the existing debt had been created under the existing standard; yet the nation decided that justice between the debtor class and the creditor class was not gauged by the dates of existing contracts, but that the creditor class, which would gain by the restoration of the rightful standard, was in large measure the same as that which had lost through its abandonment. If that was true then, it is much more clearly

of the future. It is its duty to right its own wrongs and leave the future free to right its wrongs. By the free coinage of silver the nation still keeps its hand upon the brakes. If the free coinage of silver — the conferring of interest-bearing and debt-paying power upon $80,000,000 of silver bullion a year — fails to keep this money at par with gold, it is within the power of the national government at any time to limit or suspend this coinage, restoring the present parity. If, however, it trusts that banking paper, costing nothing, can be kept at par with gold, if all the bankers in the country are permitted to issue as much of it as their state legislatures will allow, we might have the currency inflated by a thousand millions one year, and this whole amount wiped out the next, if the people in a panic called upon the banks for the non-existent gold.

true to-day. The public debt of Christendom (upwards of twenty-five thousand million dollars) was nearly all the creation of a period before silver was demonetized, while the corporate and private indebtedness of the United States (nearly fifteen thousand millions [1]) is still in a considerable measure the legacy of a time when the legal-tender dollar was depreciated twenty per cent below the silver dollar. The instinctive feeling that justice between debtor and creditor classes demands that the money in which debts are paid shall be as nearly as possible of the same value as that in which they were made, would carry us much further than the free coinage of silver. That measure does not propose to restore to the standard its ancient value, but simply the value it would have if legislation had not interfered to demonetize silver and give to gold its constantly appreciating value.

The other point raised by American monometallists which is not covered by Mr. Giffen in the volume before us, is the contention that the employment of credit instruments has offset the failure of the gold supply. Inasmuch as a few writers who are usually careful have made much of this point, it is worth while to repeat what Mr. Giffen said about it in his paper on "Trade Depression and Low Prices," in the *Contemporary Review* for June, 1885. A single sentence will suffice:

> It is suggested that the increase of banking facilities and similar economies in the use of gold may have compensated this scarcity. But the answer clearly is that in the period between 1853 and 1863 down to 1873, the increase of banking facilities was as great relatively to the arrangement existing just before as anything that has taken place since.

No one who seriously considers the money basis necessary for bank notes, the immense expansion of the field in which exclusively money payments are made (through the displacement of house work by factory work, and the disappearance of truck payments of every sort), and above all, no one who con-

[1] This is the estimate of Mr. George K. Holmes, the head of the mortgage department of the Census Bureau, and by all odds the most competent scientific authority upon this question.

siders that since 1873 the three great nations of France, Italy and the United States have returned from paper money to coin, can wonder that Mr. Giffen, who is a statistician, should have conceded this point without a struggle.

In conclusion a word should be said as to Mr. Giffen's chapter upon the American situation. He entitles it "The American Silver Bubble," and sets out by referring to Bagehot's remark that the United States is a country for exemplifying on a large scale the old truths of political economy. It is true that the United States has made some blunders on a large scale, where it has permitted powerful and interested classes to do its thinking for it; but it has yet to make a great blunder where it has been forced by its own experience to reject the teachings of such classes. Upon the silver question it has thus far chiefly exemplified upon a large scale the fallacies of monometallist political economists. Their predictions that the Bland dollar would presently fall to its bullion value have come to naught, and Mr. Giffen hesitates to predict that the Sherman dollars will fall below par. "So long," he says, "as the quantity of notes issued is strictly limited, and the government receives them freely for taxes and dues and pays them out only in exchange for the equivalent of gold, they will remain on a level with gold." This is clearly thought out. Bland dollars remained at par, though not redeemable in gold and never redeemed in gold, and notes issued under the Sherman act need a gold reserve back of them just as little.[1] Nothing can be more absurd than the cry that there will be "repudiation" and "depreciation" if this last issue of notes is redeemed in silver. Already four hundred million dollars redeemable exclusively in silver are circulating without depreciation, and if the anti-silver leaders really believe that this nation cannot maintain at par fifty millions a year of standard silver currency, they ought to rejoice in the opportunity to test the point and check the free-coinage agitation.

[1] Through the courtesy of Senator Sherman the writer has obtained from the Treasury Department verification of the statement that certificates issued under the Bland-Allison Act have never been redeemed in gold by the Treasury.

The absurdity of the Sherman Act lies in the construction placed upon it by the administration. The notes issued under it were intended to be redeemed in the silver against which they were issued. The proposition to issue bonds to purchase gold with which to redeem them, is a declaration that those who passed this act voted to spend fifty millions a year for paper on which to print promises to pay gold. The repeal of the Sherman Act that is demanded by bimetallists of all parties and all shades, is a repeal by which the silver currency issued shall be standard dollars, and not ridiculously costly greenbacks straining still further the demand for gold.

Apart from the sentence above quoted Mr. Giffen's discussion of the "bubble" we began blowing fifteen years ago is much less lucid than that of the anti-silver bankers of the United States. He contends that the Sherman Act increasing our silver purchases twenty millions a year did more for the gold price of silver than free coinage could have done, and that it did nothing for the "inflationists" because "prices will not rise and money will not be abundant . . . so long as the gold standard remains." As to the price of silver, every monometallist agrees with every bimetallist that free coinage might have added fifty millions a year to the demand and would have added indefinitely more if gold had begun to go out of circulation. As to "inflation," Mr. Giffen's dictum is rejected with equal unanimity. As recently as in 1890 general prices rose along with the increased supply of currency, and Mr. Giffen, in contending that an increased currency does not involve higher prices, has arrayed against himself not only the instincts and experience of every creditor and every debtor in the world, but also the teachings alike of political economy and statistical science. The classical economists lay down with mathematical precision the doctrine that doubling the currency means the doubling of prices, even if the currency be gold itself, while the immense rise in gold prices at the times of the great paper issues statistically illustrate how much of truth there is in this generalization. Not only in the United States, but everywhere in the world, creditors have instinctively contended

for the contraction of the currency and debtors have instinctively contended for its inflation; and each class has simply recognized its own obvious interests. Mr. Giffen makes a characteristic mistake when he complacently says that on this head "there is a complete deception on the part of the people of the United States," and he makes it a little amusing when he speaks of the want of "common sense" among us. The people of the United States have all the world on their side when they believe that more currency means higher prices, and less currency means lower prices; and they do not need to have anybody on their side to convince them that the present trouble is prices too low and not prices too high. No political party would have dared to go before the American people on a platform demanding less silver currency, and no public officer claiming to represent the people can vote to lessen this currency. What is immediately needed is an act giving us a silver currency which is not a promise to pay gold; and what is then needed is a vigorous campaign of education to bring before people in the East the facts which have already converted the people of the West and the South. For this campaign, Mr. Giffen, by his absolute honesty as a statistician, has rendered an invaluable service.

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